

EXECUTIVE CHAMBERS

HONOLULU

July 13, 2004

STATEMENT OF OBJECTIONS TO HOUSE BILL NO. 1774

Honorable Members
Twenty-Second Legislature
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, House Bill No. 1774, entitled "A Bill for an Act Relating to Unemployment Benefits."

The purpose of this bill is to amend section 383-23, Hawaii Revised Statutes, to allow unemployment insurance claimants to receive their entire weekly unemployment insurance benefit amount although they are employed and earning wages. Specifically, the bill permits an individual to retain their weekly unemployment insurance benefit and add it to their weekly earnings if they work part-time and their earnings are less than their weekly unemployment insurance benefit. Additionally, the bill provides, if necessary, additional money may be allocated from the federal Reed Act funds and used for the payment of expenses incurred for the administration of unemployment benefits.

This bill is objectionable because the unemployment compensation system was established to provide jobless workers with a means of getting through a temporary period of unemployment and not to make individuals "whole" by replacing 100 percent or more of their prior income with unemployment benefits plus part-time wages.

This bill also is objectionable because it would apply retroactively to weeks beginning January 1, 2004, and cost approximately \$670,000 per month in benefits expended from the unemployment compensation trust fund, or a six percent

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increase from current levels. By permanently drawing from trust fund reserves, this bill would deplete the unemployment compensation trust fund reserves to below statutorily defined reserve levels, thus triggering an increase in the unemployment insurance tax rate for 2005 and beyond.

Additionally, the measure would create an incentive to work just enough hours so that a person's earnings are slightly less than their weekly benefit. This runs counter to the underlying philosophy of the unemployment insurance system to provide a bridge between periods of work that allows a person to meet their basic expenses while they seek new employment.

Further, the bill's own language acknowledges that the legislation may be in violation of federal statutes in that it would allow the use of federal Reed Act funds to supplement the cost of this measure. The bill acknowledges that its provisions could jeopardize the receipt of Reed Act federal funds and directs the Governor to "revise any such provision" and report back to the Legislature next session. I believe it is the Legislature's obligation to draft laws that do not potentially jeopardize federal funding and that it would be unwise to sign a bill that knowingly does so.

For the foregoing reasons, I am returning House Bill No. 1774 without my approval.

Respectfully,

LINDA LINGLE
Governor of Hawaii